

EQUITY RESEARCH

ILPRA

FEEDBACK CONFERENCE
Conference TPICAP Midcap

BUY

TP 7.0€

Up/Downside: 43%

Solid M&A pipeline

Reassuring meeting with the management. The management confirmed a steady order intake, a normalising market with raw material costs on a downward trend and a strong M&A pipeline! Our Buy recommendation and TP are confirmed.

FY 2023 was a strong year for the group. In fact, revenues progressed by +27% to €62M along with an EBITDA margin at 22.4%, slightly lower than FY 2022 due to higher personnel and service costs, and an increase in inventories (raw materials, semi-finished and finished products), which should contribute to this years' top line growth.

On this current year, volumes should be stimulated by the full integration of their subsidiaries in Saudi Arabia, Korea, Spain and Italy (Eltec S.r.l. and Ivaxia S.r.l.), along with a steady reprisal of market demand. In fact, according to UCIMA, the global market for packaging machinery is still expected to grow at a +3% CAGR (2024-2027), with the cosmetics and food industries acting as main drivers. Going forward, the inflationary pressures observed in 2023 are expected to reverse in 2024, triggering an important optimisation of margins throughout the year, a scenario in line with our current estimates (EBITDA margin >23%).

Following our meeting, we would also like to highlight that the group did not exclude additional M&A operations going forward. We do expect the group to maintain this positive momentum on the M&A front, as the management seeks to further strengthen their international presence (over 60% of revenues are generated abroad) and product offering. More specifically, the management sees important growth levers in (i) Spain, a market similar to the Italian one with a high number of meat and cheese producers, and (ii) India, an emerging market with high production and an established cosmetics market. The management sees high demand for entry-level solutions in this market. On a broader scope, the management mentions that the European market is currently influenced by the current geopolitical context, with companies slowing down investments. Nonetheless, the management has a positive outlook on the year, seeing important cost savings from the energy standpoint.

Following a constructive meeting, we hereby confirm our Buy recommendation and target price of €7.

Key data

Price (€)	4.9
Industry	Industrial Machinery
Ticker	ILP-IT
Shares Out (m)	12.039
Market Cap (m €)	58.7
Average trading volumes (k shares / day)	25.800
Next event	H1 2024 - 26/09

Source: FactSet

Ownership (%)

Holds Srl	70.5
Free float	29.5

Source: TPICAP Midcap estimates

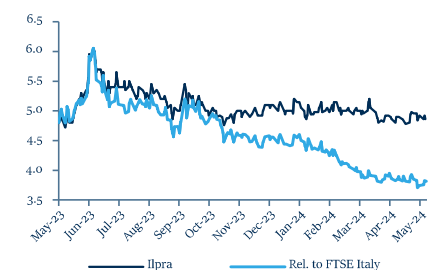
EPS (€)

	12/24e	12/25e	12/26e
Estimates	0.54	0.60	0.66
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	0.4	-0.4	-5.2
Rel FTSE Italy	0.4	-0.5	-17.2



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	62.0	66.3	69.6	72.9	EV/Sales	1.1	1.0	0.9
Current Op Inc (m €)	9.3	12.2	12.9	13.7	EV/EBITDA	4.8	4.4	3.9
Current op. Margin (%)	15.0	18.4	18.5	18.8	EV/EBIT	6.1	5.5	4.9
EPS (€)	0.33	0.54	0.60	0.66	PE	9.1	8.2	7.4
DPS (€)	0.12	0.15	0.16	0.18	Source: TPICAP Midcap			
Yield (%)	2.4	3.0	3.3	3.7				
FCF (m €)	-14.4	4.2	6.2	7.3				

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	70.5	76.3	89.9
EBIT	12.4	13.8	16.7
Net income	7.3	8.3	10.6

Analyst

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	42.2	48.7	62.0	66.3	69.6	72.9
Changes (%)	30.5	15.3	27.4	6.9	5.0	4.7
Gross profit	28.3	35.0	41.1	47.8	50.2	52.7
% of Sales	67.0	71.8	66.2	72.1	72.1	72.3
EBITDA	9.0	11.2	13.9	15.4	16.3	17.2
% of Sales	21.3	23.0	22.4	23.3	23.4	23.7
Current operating profit	7.0	8.8	9.3	12.2	12.9	13.7
% of Sales	16.6	18.0	15.0	18.4	18.5	18.8
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.0	8.8	9.3	12.2	12.9	13.7
Net financial result	-0.2	-0.5	-1.9	-1.9	-1.7	-1.5
Income Tax	-1.5	-1.8	-1.9	-2.3	-2.5	-2.7
Tax rate (%)	-22.4	-22.4	-22.4	-22.4	-22.4	-22.4
Net profit, group share	4.5	5.2	4.0	6.5	7.2	8.0
EPS	0.37	0.43	0.33	0.54	0.60	0.66
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	10.7	12.3	25.2	27.6	30.1	32.7
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.5	0.5	0.7	0.7	0.7	0.7
Working capital	13.3	17.0	29.5	31.3	31.7	31.7
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	24.5	29.9	55.3	59.5	62.5	65.1
Shareholders equity group	22.1	25.9	28.2	32.5	37.3	43.0
Minorities	2.7	3.9	5.9	7.4	9.0	10.5
LT & ST provisions and others	0.2	0.3	0.0	0.0	0.0	0.0
Net debt	-3.4	-3.5	15.3	15.9	12.5	8.0
Other liabilities	2.9	3.2	5.9	3.7	3.7	3.7
Liabilities	24.5	29.9	55.3	59.5	62.5	65.1
Net debt excl. IFRS 16	-3.4	-3.5	15.3	15.9	12.5	8.0
Gearing net	-0.1	-0.1	0.4	0.4	0.3	0.1
Leverage	-0.4	-0.3	1.1	1.0	0.8	0.5
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	7.2	9.4	12.2	13.1	13.8	14.5
Δ WCR	0.3	-3.3	-11.9	-1.8	-0.4	-0.0
Operating cash flow	7.4	6.1	0.3	11.3	13.3	14.5
Net capex	-1.0	-3.8	-13.8	-5.2	-5.5	-5.7
FCF	6.2	1.8	-14.4	4.2	6.2	7.3
Acquisitions/Disposals of subsidiaries	-0.0	-0.3	0.0	0.0	0.0	0.0
Other investments	-0.1	0.2	-0.7	-0.8	-0.6	-0.4
Change in borrowings	1.2	1.1	12.2	0.0	0.0	0.0
Dividends paid	-1.1	-2.0	-1.8	-1.4	-1.8	-1.9
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	-0.2	-0.3	-0.1	0.0	0.0	0.0
Others	0.0	0.9	0.0	-0.4	-0.4	-0.4
Change in net cash over the year	6.2	2.0	-3.9	3.4	5.1	6.0
ROA (%)	9.3%	8.7%	6.0%	8.0%	8.3%	na
ROE (%)	21.2%	21.7%	16.3%	20.1%	18.8%	na
ROCE (%)	34.9%	36.0%	20.5%	25.0%	25.2%	25.7%

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Methodology

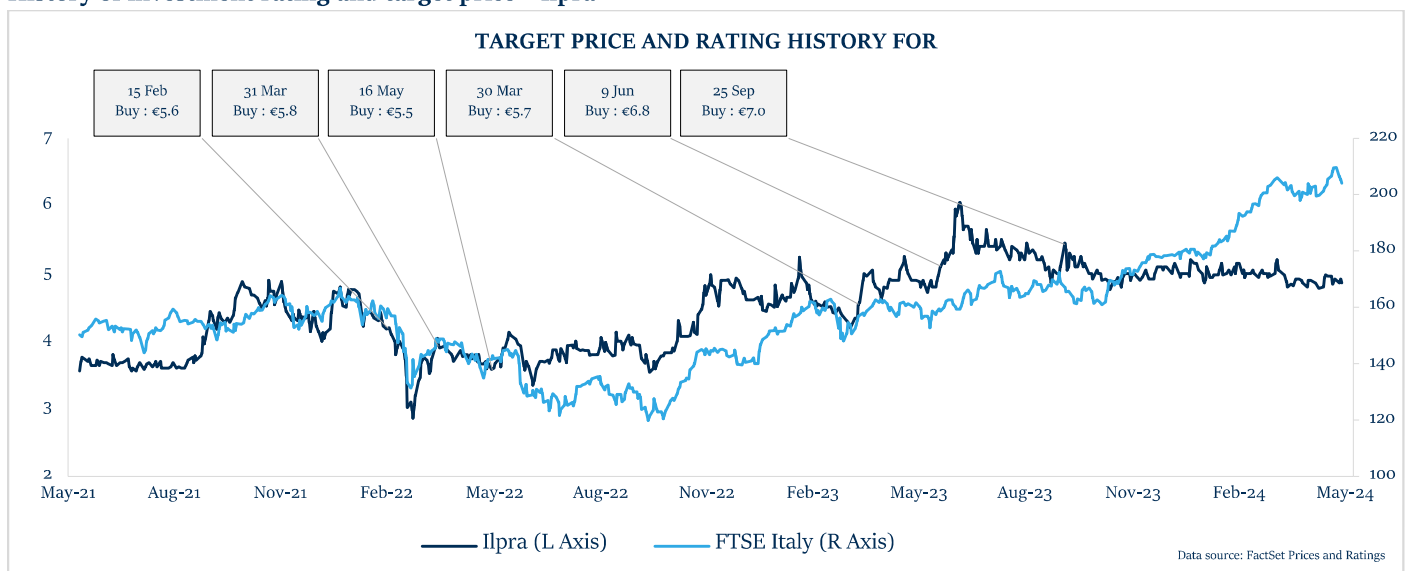
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Ilpra

History of investment rating and target price – Ilpra



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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